



ARIZONA STATE SENATE
Fifty-Second Legislature, First Regular Session

REVISED
FACT SHEET FOR S.B. 1188

internal revenue code conformity

Purpose

Conforms Arizona tax statutes to the Internal Revenue Code (IRC) as of January 1, 2015. This reflects changes adopted by the United States Congress during 2014.

Background

The Arizona Legislature periodically updates statutory definition of the IRC to include any federal provisions that became effective in the preceding calendar year as a means of paralleling the computation of Arizona income tax and other statutory references throughout the Arizona Revised Statutes to the amended IRC. Tax conformity with the IRC is deemed necessary because the calculation of Arizona corporate income tax liability begins with federal taxable income. Similarly, Federal Adjusted Gross Income is the starting point for individual income tax assessment.

According to the Joint Legislative Budget Committee (JLBC), relative to the JLBC baseline, this legislation will reduce the state General Fund by \$30.8 million in Fiscal Year (FY) 2015 due to the federal extension of the \$500,000 business expensing limit.

Provisions

1. Updates the statutory definition of *Internal Revenue Code* to include all provisions in effect as of January 1, 2015.
2. Makes technical and conforming changes.
3. Becomes effective on the general effective date.

Revision

- Updates the fiscal impact statement.

Senate Action

FIN 1/4/15 DP 4-0-1

Prepared by Senate Research
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BR/TW/lis